

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**HB 2464 - SB 2397**

February 11, 2012

**SUMMARY OF BILL:** Exempts from state and local sales tax, the retail sale of a motor vehicle subject to registration in this state that is not registered in this state, if the vehicle is sold to a member of a uniformed service in active military service of the United States who is stationed outside the United States under orders and has established Tennessee as the member's domicile. Establishes that domicile may be inferred if the member has registered to vote in Tennessee, has listed Tennessee as the member's state for tax purposes, or has taken other action that clearly indicates the member's intent to permanently reside in Tennessee.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue – Net Impact - \$897,800**

**Decrease Local Revenue - \$73,800**

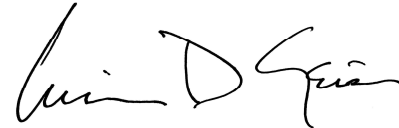
**Assumptions:**

- According to the Department of Revenue (DOR), and based on data obtained from the Department of Defense (DOD), there were approximately 1,425,100 active duty members in military service as of September 30, 2011.
- According to DOR, and based on data obtained from DOD, approximately 1.9 percent (or 27,077) of active duty members in military service were from Tennessee.
- DOR estimates the number of active duty members in military service from Tennessee who are stationed outside the United States to be approximately 21,433.
- DOR indicates this bill would make approximately 5,644 (27,077 – 21,433) members in military service exemption eligible. This number is assumed to remain constant into perpetuity.
- One hundred percent of eligible individuals take advantage of the exemption.
- Motor vehicles purchased by eligible members of the military have an average life span of seven years; therefore, one in seven eligible individuals (or approximately 14.3 percent) will purchase a motor vehicle each year. As a result, approximately 807 motor vehicles (5,644 x 14.3%) will be purchased each year by eligible members of the military.
- Fifty percent will purchase new vehicles at an average price of \$20,000; the remaining 50 percent will purchase previously-owned vehicles at an average price of \$12,000.

- Total annual sales are estimated to be \$12,912,000  $[(807 \times 50\% \times \$20,000) + (807 \times 50\% \times \$12,000)]$ .
- The current state sales tax rate is 7.0 percent; the state single article sales tax rate (which is levied on the portion of the purchase price above \$1,600 and below \$3,200) is 2.75 percent; and the average local option sales tax rate (which can only be levied on the first \$1,600 of the purchase price) is estimated to be 2.5 percent.
- The total recurring decrease in state sales tax revenue is estimated to be \$939,348  $[(\$12,912,000 \times 7.0\%) + (807 \times \$1,600 \times 2.75\%)]$ ; the recurring decrease in local option sales tax revenue is estimated to be \$32,280  $(807 \times \$1,600 \times 2.5\%)$ .
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), local governments receive 4.5925 percent of all state sales tax revenue as state-shared sales tax revenue. This apportionment does not apply to state revenue collected pursuant to the single article tax. Pursuant to Tenn. Code Ann. § 67-6-202(a), single article tax shall be a state tax for state purposes only.
- The net recurring decrease in state revenue is estimated to be \$897,839  $[\$939,348 - (\$12,912,000 \times 7.0\% \times 4.5925\%)]$ .
- The total recurring decrease in local revenue is estimated to be \$73,789  $[\$32,280 + (\$12,912,000 \times 7.0\% \times 4.5925\%)]$ .

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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